

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

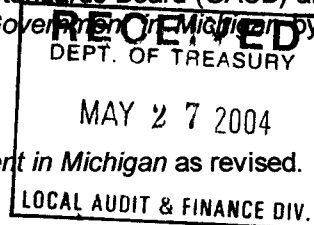
**RECEIVED**  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
MAY 27 2004  
Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Ridgeway	<b>County</b> Lenawee
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> April 30, 2004	<b>Date Accountant Report Submitted to State:</b> April 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ yes ☐ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

April 30, 2004

To the Township Board  
Township of Ridgeway  
Lenawee County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Ridgeway, Lenawee County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Ridgeway's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Ridgeway, Lenawee County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Ridgeway, Lenawee County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS    EXHIBIT A  
March 31, 2004

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Agency</u>
<u>Assets</u>				
Cash in bank	283 635 32	93 929 23	169 191 02	267 675 00
Accounts receivable	-	-	1 797 93	-
Taxes receivable	3 731 32	12 799 08	1 966 33	-
Special assessments receivable	-	-	20 431 46	-
Due from other funds	44 664 29	154 085 18	40 706 13	-
Land	-	-	-	-
Buildings	-	-	-	-
Equipment	-	-	-	-
Sewer system	-	-	673 086 00	-
Accumulated depreciation	-	-	(442 750 00)	-
Total Assets	<u>332 030 93</u>	<u>260 813 49</u>	<u>464 428 87</u>	<u>267 675 00</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	664 05	-	498 48	-
Deferred revenue	-	-	8 471 50	-
Due to other funds	33 259 73	-	-	206 195 87
Due to other units	-	-	-	61 479 13
Total liabilities	<u>33 923 78</u>	<u>-</u>	<u>8 969 98</u>	<u>267 675 00</u>
Fund equity:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	231 909 00	-
Retained earnings:				
Unreserved	-	-	223 549 89	-
Fund balances:				
Unreserved:				
Undesignated	<u>298 107 15</u>	<u>260 813 49</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>298 107 15</u>	<u>260 813 49</u>	<u>455 458 89</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>332 030 93</u>	<u>260 813 49</u>	<u>464 428 87</u>	<u>267 675 00</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> General Fixed Assets	<u>Total</u> (Memorandum Only)
-	814 430 57
-	1 797 93
-	18 496 73
-	20 431 46
-	239 455 60
27 000 00	27 000 00
398 758 34	398 758 34
700 946 11	700 946 11
-	673 086 00
-	(442 750 00)
<u>1 126 704 45</u>	<u>2 451 652 74</u>

-	1 162 53
-	8 471 50
-	239 455 60
-	61 479 13
-	<u>310 568 76</u>

1 126 704 45	1 126 704 45
-	231 909 00
-	223 549 89
-	558 920 64
<u>1 126 704 45</u>	<u>2 141 083 98</u>

<u>1 126 704 45</u>	<u>2 451 652 74</u>
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TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	38 964 28	163 574 44	202 538 72
Licenses and permits	5 415 00	-	5 415 00
State revenue sharing	65 805 00	-	65 805 00
Charges for services:			
Property tax administration	9 698 35	-	9 698 35
Fire protection	-	17 000 00	17 000 00
Special assessments	-	2 680 00	2 680 00
Interest	1 799 04	-	1 799 04
Rents	2 650 00	-	2 650 00
Miscellaneous	3 376 46	-	3 376 46
Total revenues	<u>127 708 13</u>	<u>183 254 44</u>	<u>310 962 57</u>
Expenditures:			
Legislative:			
Township Board	53 178 23	-	53 178 23
General government:			
Supervisor	17 689 45	-	17 689 45
Clerk	8 680 21	-	8 680 21
Treasurer	8 237 19	-	8 237 19
Building and grounds	10 060 12	-	10 060 12
Cemetery	5 260 00	-	5 260 00
Unallocated	2 353 20	-	2 353 20
Public safety:			
Fire protection	-	42 104 47	42 104 47
Public works:			
Highways and streets	-	104 858 72	104 858 72
Street lighting	-	2 399 66	2 399 66
Capital outlay	-	4 848 46	4 848 46
Total expenditures	<u>105 458 40</u>	<u>154 211 31</u>	<u>259 669 71</u>
Excess of revenues over expenditures	22 249 73	29 043 13	51 292 86
Fund balances, April 1	<u>275 857 42</u>	<u>231 770 36</u>	<u>507 627 78</u>
Fund Balances, March 31	<u>298 107 15</u>	<u>260 813 49</u>	<u>558 920 64</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	36 319 21	38 964 28	2 645 07
Licenses and permits	4 755 00	5 415 00	660 00
State revenue sharing	72 323 00	65 805 00	(6 518 00)
Charges for services:			
Property tax administration	11 503 75	9 698 35	(1 805 40)
Fire protection	-	-	-
Special assessments	-	-	-
Interest	1 437 09	1 799 04	361 95
Rents	2 500 00	2 650 00	150 00
Miscellaneous	3 600 00	3 376 46	(223 54)
Total revenues	<u>132 438 05</u>	<u>127 708 13</u>	<u>(4 729 92)</u>
Expenditures:			
Legislative:			
Township Board	61 000 00	53 178 23	(7 821 77)
General government:			
Supervisor	18 800 00	17 689 45	(1 110 55)
Clerk	10 000 00	8 680 21	(1 319 79)
Treasurer	9 600 00	8 237 19	(1 362 81)
Building and grounds	17 900 00	10 060 12	(7 839 88)
Cemetery	7 000 00	5 260 00	(1 740 00)
Unallocated	2 500 00	2 353 20	(146 80)
Public safety:			
Fire protection	-	-	-
Public works:			
Highways and streets	-	-	-
Street lighting	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>126 800 00</u>	<u>105 458 40</u>	<u>(21 341 60)</u>

The accompanying notes are an integral part of these financial statements.



<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
176 935 51	163 574 44	(13 361 07)
-	-	-
-	-	-
-	-	-
17 000 00	17 000 00	-
2 680 00	2 680 00	-
-	-	-
-	-	-
-	-	-
<u>196 615 51</u>	<u>183 254 44</u>	<u>(13 361 07)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
61 275 00	42 104 47	(19 170 53)
135 601 37	104 858 72	(30 742 65)
2 680 00	2 399 66	(280 34)
<u>5 000 00</u>	<u>4 848 46</u>	<u>(151 54)</u>
<u>204 556 37</u>	<u>154 211 31</u>	<u>(50 345 06)</u>

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Excess (deficiency) of revenues over expenditures	5 638 05	22 249 73	16 611 68
Fund balances, April 1	<u>274 853 60</u>	<u>275 857 42</u>	<u>1 003 82</u>
Fund Balances, March 31	<u>280 491 65</u>	<u>298 107 15</u>	<u>17 615 50</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
(7 940 86)	29 043 13	36 983 99
<u>7 940 86</u>	<u>231 770 36</u>	<u>223 829 50</u>
<u>-</u>	<u>260 813 49</u>	<u>260 813 49</u>

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES

EXHIBIT D

Year Ended March 31, 2004

	<u>Sewer Fund</u>
Operating revenues:	
Charges for services	<u>19 878 41</u>
Total operating revenues	<u>19 878 41</u>
Operating expenses:	
Operating charges	<u>4 910 66</u>
Total operating expenses	<u>4 910 66</u>
Operating income before depreciation	14 967 75
Less: depreciation	<u>(19 250 00)</u>
Operating income (loss)	<u>(4 282 25)</u>
Nonoperating revenues (expenses):	
Interest income	547 25
Amortization of contributed capital	<u>18 763 00</u>
Net nonoperating revenues (expenses)	<u>19 310 25</u>
Net income	15 028 00
Retained earnings, April 1	<u>208 521 89</u>
Retained Earnings, March 31	<u>223 549 89</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

COMBINED STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUND TYPES EXHIBIT E  
Year Ended March 31, 2004

	<u>Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	29 512 77
Cash payments to suppliers for goods and services	<u>(6 540 94)</u>
Net cash provided (used) for operating activities	<u>22 971 83</u>
Cash flows from noncapital financing activities:	
Net borrowings (repayments) with other funds	<u>446 01</u>
Net cash provided (used) for noncapital financing activities	<u>446 01</u>
Cash flows from investing activities:	
Interest income	<u>547 25</u>
Net cash provided (used) for investing activities	<u>547 25</u>
Net increase (decrease) in cash and cash equivalents	23 965 09
Cash and cash equivalents, April 1	<u>145 225 93</u>
Cash and Cash Equivalents, March 31	<u><u>169 191 02</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	(4 282 25)
Depreciation	19 250 00
Increase (decrease) in assets and liabilities:	
Accounts receivable	9 634 36
Accounts payable	<u>(1 630 28)</u>
Net Cash Provided (Used) for Operating Activities	<u><u>22 971 83</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Ridgeway, Lenawee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ridgeway. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Enterprise Fund

The enterprise fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was 4.7107 mills and the taxable value was \$42,852,324.00.

Fixed Assets and Depreciation

Purchases of general fixed assets for all funds, other than the Sewer Fund, are recorded as expenditures in their respective funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Gifts or contributions are recorded in general fixed assets at fair market value at the time received. No depreciation has been provided on these general fixed assets.

Property, plant and equipment in the Sewer Fund, is stated at cost. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs, and minor replacements are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.



TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>814 430 57</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>717 741 01</u>
Total Deposits	<u>817 741 01</u>

The Township of Ridgeway did not have any investments as of March 31, 2004.

Note 3 – Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	27 000 00	-	-	27 000 00
Buildings	398 758 34	-	-	398 758 34
Equipment	696 097 65	4 848 46	-	700 946 11
Totals	<u>1 121 855 99</u>	<u>4 848 46</u>	<u>-</u>	<u>1 126 704 45</u>

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 3 – Fixed Assets (continued)

A summary of proprietary fund types property, plant and equipment at March 31, 2004, follows:

	<u>Enterprise Sewer</u>
Plant, property and equipment	673 086 00
Less accumulated depreciation	<u>(442 750 00)</u>
Net	<u>230 336 00</u>

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Street Lighting	2 447 00	Current Tax Collection	206 195 87
General	44 664 29		
Sewer	7 446 40		
Road	94 776 34		
Fire	<u>56 861 84</u>		
	<u>206 195 87</u>		<u>206 195 87</u>
Sewer	<u>33 259 73</u>	General	<u>33 259 73</u>
Total	<u>239 455 60</u>	Total	<u>239 455 60</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$5,415.00 and building permit expenses of \$4,253.97.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT F

Township Board:	
Salaries	1 345 00
Professional services	7 112 82
Printing	121 58
Insurance	33 819 00
Miscellaneous	<u>10 779 83</u>
	<u>53 178 23</u>
Supervisor:	
Salary	7 440 00
Miscellaneous	<u>10 249 45</u>
	<u>17 689 45</u>
Clerk:	
Salary	8 040 00
Miscellaneous	<u>640 21</u>
	<u>8 680 21</u>
Treasurer:	
Salary	7 740 00
Miscellaneous	<u>497 19</u>
	<u>8 237 19</u>
Building and grounds:	
Telephone	1 110 37
Utilities	5 056 00
Repairs and maintenance	<u>3 893 75</u>
	<u>10 060 12</u>
Cemetery	<u>5 260 00</u>
Unallocated:	
Miscellaneous	<u>2 353 20</u>
Total Expenditures	<u><u>105 458 40</u></u>

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS    EXHIBIT G  
March 31, 2004

	<u>Road</u>	<u>Fire</u>	<u>Street Lighting</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	54 110 51	39 870 68	(51 96)	93 929 23
Taxes receivable	7 854 02	4 712 06	233 00	12 799 08
Due from other funds	<u>94 776 34</u>	<u>56 861 84</u>	<u>2 447 00</u>	<u>154 085 18</u>
Total Assets	<u>156 740 87</u>	<u>101 444 58</u>	<u>2 628 04</u>	<u>260 813 49</u>
<u>Fund Balances</u>				
Fund balances:				
Unreserved:				
Undesignated	<u>156 740 87</u>	<u>101 444 58</u>	<u>2 628 04</u>	<u>260 813 49</u>
Total Fund Balances	<u>156 740 87</u>	<u>101 444 58</u>	<u>2 628 04</u>	<u>260 813 49</u>

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT H  
Year Ended March 31, 2004

	<u>Road</u>	<u>Fire</u>	<u>Street Lighting</u>	<u>Total</u>
Revenues:				
Property taxes	102 236 71	61 337 73	-	163 574 44
Charges for services	-	17 000 00	-	17 000 00
Special assessments	-	-	2 680 00	2 680 00
Total revenues	<u>102 236 71</u>	<u>78 337 73</u>	<u>2 680 00</u>	<u>183 254 44</u>
Expenditures:				
Fire protection:				
Salaries	-	17 915 00	-	17 915 00
Siren	-	242 29	-	242 29
Telephone	-	1 458 43	-	1 458 43
Radio maintenance	-	1 949 30	-	1 949 30
Supplies	-	15 201 56	-	15 201 56
Miscellaneous	-	5 337 89	-	5 337 89
Highways and streets:				
Contracted services	104 858 72	-	-	104 858 72
Street lighting:				
Utilities	-	-	2 399 66	2 399 66
Capital outlay	-	4 848 46	-	4 848 46
Total expenditures	<u>104 858 72</u>	<u>46 952 93</u>	<u>2 399 66</u>	<u>154 211 31</u>
Excess of revenues over expenditures	(2 622 01)	31 384 80	280 34	29 043 13
Fund balances, April 1	<u>159 362 88</u>	<u>70 059 78</u>	<u>2 347 70</u>	<u>231 770 36</u>
Fund Balances, March 31	<u>156 740 87</u>	<u>101 444 58</u>	<u>2 628 04</u>	<u>260 813 49</u>



TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT I

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>306 500 01</u>	<u>922 946 81</u>	<u>961 771 82</u>	<u>267 675 00</u>
<u>Liabilities</u>				
Due to other funds	235 275 86	227 111 14	256 191 13	206 195 87
Due to other units	<u>71 224 15</u>	<u>695 835 67</u>	<u>705 580 69</u>	<u>61 479 13</u>
Total Liabilities	<u>306 500 01</u>	<u>922 946 81</u>	<u>961 771 82</u>	<u>267 675 00</u>

TOWNSHIP OF RIDGEWAY  
Lenawee County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2004

EXHIBIT J

Cash in bank – beginning of year	<u>306 500 01</u>
Cash receipts:	
Tax and assessments	913 528 16
Interest	424 95
Property tax administration fees	8 900 70
Dog licenses	<u>93 00</u>
Total cash receipts	<u>922 946 81</u>
Total beginning balance and cash receipts	<u>1 229 446 82</u>
Cash disbursements:	
Township General Fund	64 214 89
Township Road Fund	125 927 69
Township Fire Fund	54 172 68
Township Street Lighting Fund	2 412 00
Township Sewer Fund	9 463 87
Lenawee County	255 019 45
Lenawee Intermediate School District	285 863 60
Britton Macon Area School	158 746 58
Blissfield Public Schools	4 623 61
Deerfield Public Schools	785 46
Monroe County Intermediate School District	207 48
Dundee Public Schools	333 37
Refunds	<u>1 14</u>
Total cash disbursements	<u>961 771 82</u>
Cash in Bank – End of Year	<u>267 675 00</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

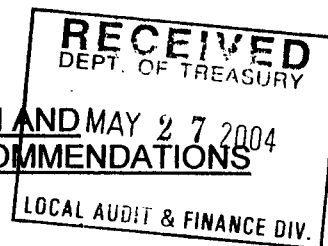
CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

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## **AUDIT COMMUNICATION AND MAY 27 2004** **REPORT OF COMMENTS AND RECOMMENDATIONS**



April 30, 2004

To the Township Board  
Township of Ridgeway  
Lenawee County, Michigan

We have audited the financial statements of the Township of Ridgeway, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Ridgeway in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Ridgeway  
Lenawee County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Ridgeway  
Lenawee County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Ridgeway will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

#### **DISBURSEMENT OF PROPERTY TAXES**

The Township Treasurer has been making timely disbursements of the property taxes collected except for the final distributions. We recommend that all property tax collections be disbursed according to state law which would normally zero out the Township's Current Tax Collection Fund by the Township's March 31 year end.

To the Township Board  
Township of Ridgeway  
Lenawee County, Michigan

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants